

## **Required Materials for Group Marketing Plans For Private Passenger Automobile Insurance**

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## **Massachusetts Division of Insurance**

### **Filing Procedures for Submitting Group Marketing Plan Filings (M.G.L. c.175, §193R) to be Effective on or After April 1, 2008 for Private Passenger Motor Vehicle Groups**

Procedures for submitting filings for group marketing plans and rate deviations applicable for such plans for private passenger motor vehicle groups are outlined in Bulletin 2007-13. Insurers may apply to the Commissioner for approval of rate deviations for private passenger motor vehicle group marketing plans to take effect on or after April 1, 2008.

For the purposes of submitting rate deviations applicable to private passenger motor vehicle group marketing plans, the basis of the rate deviation applicable to the insurer's otherwise filed rates must be based on lower administrative and policy acquisition costs than those contemplated in the rate. Such costs may include, but are not limited to, producer negotiated commissions, method of premium payment (payroll deduction or electronic funds transfer), or reduced insurer marketing or advertising costs. Rate deviation filings applicable to all private passenger motor vehicle group marketing plans must be justified on the basis of expected expense savings, regardless of whether the group marketing plan is new or renewal.

Insurance companies that have maintained private passenger motor vehicle group marketing plans with a specific group for more than three consecutive years may file adjustments to any applicable downward rate deviation for group members based on reduced acquisition and administrative expenses that additionally reflect the most recent three years of loss experience for the group. Loss experience for a group will only be considered actuarially credible if the number of vehicles insured through the group is 1,000 or more for the two most recent years of experience.

The filing procedure requires insurers to submit the application for such groups electronically. This electronic submission will be accomplished by submitting electronic mail (e-mail), at least fifteen business days in advance of the proposed effective date, with specific attachments to the State Rating Bureau's Gerald Condon at [gerald.condon@state.ma.us](mailto:gerald.condon@state.ma.us). These attachments are included as part of this e-mail to you and the templates should be retained by you. This e-mail and the attachments should be forwarded to all appropriate staff within your company.

The electronic submission **requires** the submission of one excel workbook (the application information and any experience required), word documents (the signed insurer affidavit and property and casualty checklist), and complete electronic copies of both the by-laws required for new and renewal (if amended since last by-law submission) association, organization, or union groups and signed compliance certification form. Thus, insurers will submit electronically one application form, one experience form, one affidavit and one property and casualty checklist with compliance certification form no

matter how many new or renewal groups are contained in the submission. Also, included in this e-mail to you is a copy of the Client Confirmation Letter that your company or your Producer is required to send to each group prior to submitting a group application for the group. A copy of each letter should be maintained by your company. These letters are not to be submitted as part of your application.

If you have any questions or problem opening the attachments, please contact Gerald Condon at (617) 521-7377 or [gerald.condon@state.ma.us](mailto:gerald.condon@state.ma.us).

**Reminder**

*Insurers should remind their producers that they are not to contact the Division of Insurance directly regarding the status of a 193R application. Insurers will be notified by e-mail when applications are approved. The Division of Insurance will post a list of all approved group deviations on its web site within several days of approval. The web site address is as follows: <http://www.mass.gov/doi>*

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## COMPLIANCE CERTIFICATION

As the representative of \_\_\_\_\_ (the "Company"), duly authorized by the Company to give this Certification on its behalf, I hereby certify on the Company's behalf, under the pains and penalties of perjury, that the enclosed \_\_\_\_\_ has met all the requirements of the Massachusetts (insurer file number) Division of Insurance checklist(s) applicable thereto, and is otherwise in all respects in compliance with all relevant Massachusetts law and regulations.

Signature: \_\_\_\_\_

Name (print or type): \_\_\_\_\_

Title: \_\_\_\_\_

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## **Chapter 175: Section 193R: Deviations for Group Marketing Plans for automobile and homeowners insurance**

### **Definitions**

The following words, as used in this section, shall, unless the context otherwise requires, have the following meanings:

"**Association member**", a member of a trade union, association or organization.  
"Group marketing", "Group marketing plan", "Mass merchandising" or "Mass merchandising plan", any system, design or plan whereby motor vehicle or homeowner insurance is afforded to employees of an employer, or to members of a trade union, association, or organization and to which the employer, trade union, association or organization has agreed to or in any way affiliated itself with, assisted, encouraged or participated in the sale of such insurance to its employees or members through a payroll deduction plan or otherwise.

### **Prior Approval / Cedeable / Use of Experience**

No insurer or any person, firm, or corporation on behalf of any insurer, shall issue or make, or offer to issue or make, any certificate or policy of motor vehicle or homeowner insurance to any person in the commonwealth pursuant to a group marketing plan except in accordance with the terms and conditions of this section.

Insurance issued pursuant to a group marketing plan shall be cedeable and the experience of each group plan, both voluntary and ceded, shall be used in determining a company's losses and expenses in accordance with the attribution rules established under the provisions of section 113H.

### **Rules and Regulations Applicable to Group Marketing Plans**

The Commissioner shall make and at any time may alter or amend reasonable rules and regulations regarding insurance issued pursuant to a group marketing plan:

The rules and regulations made by the Commissioner shall require:

- \_\_\_\_\_ (1) that every individual employee or association member having a proper insurable interest shall be entitled to participate in the group plan;
- \_\_\_\_\_ (2) that every individual employee or association member participating in the group plan be given an option to continue coverage by a standard policy of the same type offered by the insurer to persons not eligible for a group plan for at least 1 additional year upon termination of employment or membership;
- \_\_\_\_\_ (3) that there shall be no compulsion for an employee or association member to participate in the plan;
- \_\_\_\_\_ (4) that no member of the group shall be subject to any rating differential or other classification technique or policy form designed to make it less desirable for him

as an individual to purchase insurance through the group than it would be to purchase it from the regular individual market and each member of the group must be issued an individual policy of the same form varying only as to the amounts of insurance and limits of liability requested by the member;

\_\_\_\_\_ (5) that an insurer may not cancel any insurance of an individual member of the group except for nonpayment of premium, fraud or unless the insurance for the entire group is cancelled, but an insurer may cancel the motor vehicle insurance of an individual member for loss of registration or operators license by the individual member where such loss is for a period of one year or more;

\_\_\_\_\_ (6) that to qualify to write the group marketing plan herein defined the insurer must also be actively engaged in the business of writing the types of coverage offered for insureds other than such groups and may not be organized solely or principally for the purpose of furnishing coverage to such groups;

\_\_\_\_\_ (7) that such employer, trade union, association or organization shall consist of no less than 25 members, at least 15 of whom are residents of the commonwealth, and that at least 35% are insured within 2 years of the effective date of the plan, such percentage to continue so insured at all times thereafter; and

**Note: the 35% requirement has been statutorily waived for 2007 applications, but not yet for 2008 applications.**

\_\_\_\_\_ (8) that such trade union, association, or organization shall have a constitution and by-laws and be formed in good faith for purposes other than that of obtaining insurance.

\_\_\_\_\_ (9) that notwithstanding clauses (1) to (8), inclusive, a group marketing plan shall include any system, design or plan whereby motor vehicle or homeowner insurance is offered pursuant to a group marketing plan filed with the commissioner by an insurer that, without a sponsoring entity, limits the issuance or renewal of motor vehicle or homeowner insurance to persons who became policyholders of the insurer while engaged in military service.

### **Rates**

Rates for policies issued in connection with a group marketing plan shall be fixed and established in accordance with the provisions of this chapter, chapter 174A or chapter 175A (whichever is applicable to the type of insurance).

### **Data to be Kept**

In addition to the applicable provisions of this chapter every insurer providing insurance in accordance with this section shall keep and maintain separate data on the losses and expenses of each employer, trade union, association or organization so insured and shall not be allowed to offer any such insured a modification of the rates so fixed and established for all such insured until and unless data on such losses and expenses for at least 3 policy years shows, to the satisfaction of the Commissioner, that such modification is in fact justified.

### **Dividends**

Every mutual company providing insurance in accordance with this section shall constitute each group marketing plan which has been in effect three policy years as a separate class of business for the purpose of paying dividends and any dividends on such plan shall be declared on the profits of the company from said class of business.

### **Payroll Deductions**

Employers, including the commonwealth or any agency or political subdivision thereof, may make payroll deductions to pay in whole or in part for premiums on any coverages purchased by employees pursuant to a plan authorized by this section.

### **Deviations for first three years**

\_\_\_\_\_ For the purposes of this section, deviations approved during the first 3 years of a group marketing plan by the Commissioner, based on direct reductions in expenses resulting from the group marketing technique, shall be permitted.

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MASSACHUSETTS 2008  
GROUP MARKETING NEW/RENEWAL  
AFFIDAVIT

Attached is the documentation required for the application for the listed XYZ Insurance Company 2008 Group Marketing clients.

We have verified that it is the intention of each of the following clients to participate in the Group Marketing program within their organization for the year 2008 and have confirmed their participation to them in writing:

Alphabetical List (vertical)

You may contact any of our clients to verify information and confirm participation.

J. Smith  
State Filings Analyst

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December XX, 2007

Mr. Steve Jones  
ABC Company  
123 Main St.  
Boston, MA 02117

Dear Mr. Jones;

This letter is to confirm your organization's participation with XYZ Insurance Company's Group Marketing program for 2008.

This voluntary program, which offers discounted personal lines products to your employees, may be cancelled by you or by XYZ Insurance Company at any time. Additionally, Group Marketing provisions are governed under Massachusetts General Law c.175 §193R, with the following requirements subject to certain statutory exceptions:

- a) The group is required to have at least 25 employees or members, 15 of which have to be Massachusetts residents.*
- b) All employees or members of the group must be given the opportunity to participate in the plan. However, no member may be required to participate in the plan.*
- c) The group is required to have 35% of its members participating in the plan within two years of the starting date of the plan. (Note: waived by statute in recent years)*
- d) After the group plan has been in existence for three or more years, the insurance loss & expense experience of the members of the plan must support any proposed rate deviation.*
- e) Any group that is a trade union, association, or organization shall have a constitution and by-laws and be formed in good faith for purposes other than that of obtaining insurance.*
- f) All auto group plan approvals expire March 31 of the approval year.*

The Division of Insurance may contact you to verify your participation in this program.

We look forward to this relationship with your organization. Should you have any questions you may contact me at your convenience.

Susan Smith  
Marketing Representative (or Agency Name)  
(617) 123-4500  
susan@xyz.com

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